

IN THE MATTER OF INTEREST ARBITRATION BETWEEN

BETTENDORF COMMUNITY
SCHOOL DISTRICT
PUBLIC EMPLOYER

AND

BETTENDORF EDUCATION ASSOCIATION -
ISEA-NEA
EMPLOYEE ORGANIZATION

INTEREST ARBITRATION
AWARD

RONALD HOH, ARBITRATOR

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IOWA PUBLIC EMPLOYMENT
RELATIONS BOARD

APPEARANCES

For Bettendorf Community School District:

Donald Hoskins, Attorney

For Bettendorf Education Association:

Lynette Claeys, Uniserv Director

AUTHORITY

This proceeding arises pursuant to the provisions of Sections 19 and 22 of the Iowa Public Employment Relations Act, Chapter 20, 2001 Code of Iowa (hereinafter Act). Bettendorf Community School District (hereinafter District) and Bettendorf Education Association (hereinafter Association) have been unable to agree upon the terms of their collective bargaining agreement for the 2004 fiscal year (July 1, 2003 - June 30, 2004) through their negotiations and mediation. In accordance with independently negotiated impasse procedures, the undersigned was selected from a list provided by the Iowa Public Employment Relations Board (hereinafter PERB) to conduct a hearing and issue a binding

interest arbitration award on the matters in dispute herein.

The hearing was held on May 27, 2003 in Bettendorf, Iowa and was completed that night. All parties appeared at the hearing and had full opportunity to present evidence and argument in support of their respective positions. The hearing was mechanically recorded in accordance with PERB regulations.

The parties prior to the hearing had waived the March 15 statutory deadline for issuance of the arbitrator's decision and award. They further agreed at hearing to waive the statutory requirement that the arbitrator issue his decision within fifteen days of the May 28, 2003 hearing date.

STATUTORY CRITERIA

Section 22.9 of the Act sets forth the criteria by which the arbitrator is to select, under Section 22.11 of the Act, "the most reasonable offer of the final offers on each of the impasse items submitted by the parties." Section 22.9 provides:

The arbitrator or panel shall consider, in addition to other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties, including the bargaining that lead up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees doing comparable work, giving consideration to factors peculiar to the area and classification involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

Section 17.6 of the Act further provides:

No collective bargaining agreement or arbitrator's decision shall be valid or enforceable if its implementation would be inconsistent with any statutory limitation on the public employer's funds, spending or budget, or would substantially impair or limit the performance of any statutory duty by the public employer.

The award on the impasse item herein is made with due regard to each of the above criteria.

BACKGROUND

The District encompasses nearly the entirety of the City of Bettendorf, Iowa - one of the Quad Cities bordering the Mississippi River in far eastern Iowa. It operates nine attendance centers, including six elementary sites, one middle school, one high school and one alternative high school program. It had an enrollment of 4089.3 full-time equivalent (hereinafter FTE) students as of September, 2002, making it Iowa's twenty-third largest school district. The Association has represented the District's non-supervisory professional staff since prior to the 1974 passage of the Act. That professional staff currently includes 307 teachers, librarians, counselors and related educational professionals, more than half of whom hold advanced degrees, and nearly half of whom have more than fifteen years of teaching experience.

The parties are currently operating under and governed by a one year collective bargaining agreement (hereinafter contract), which will expire by its terms on June 30, 2003. They began negotiations for a new contract in early 2003, and reached voluntary agreement through negotiations sessions thereafter on all issues except salary. It is that issue which is before the arbitrator in this proceeding.

COMPARABILITY

The parties agree that, under the comparability criterion set forth in Section 22.9 of the Act, the five Iowa school districts the next highest in enrollment statewide, and the five Iowa districts next lowest in enrollment statewide, when compared to the District, are proper for wage and benefit comparison purposes. Those districts in descending enrollment order are Clinton, Johnston, Mason City, Fort Dodge, Cedar Falls, Newton, College, Indianola, Pleasant Valley and Urbandale. They range in enrollment from 4532.2 FTE students in Clinton to 2107.0 FTE students in Urbandale.

The parties disagree, however, as to other districts whose wages and benefits should be compared by the arbitrator under this statutory criterion. The Association asserts that the arbitrator should also look for comparability purposes to the thirty largest school districts in Iowa, based largely upon its assertion that such districts have been used by the parties for comparability purposes in the past. The District, in contrast, proposes that the six other districts in the athletic conference of which the District is a member should be used for comparison purposes, in that such districts are geographically nearby, generally have similar enrollment levels, and share with the District in athletic, scholastic and other extra-curricular areas.

DISCUSSION

This arbitrator in previous Iowa decisions has expressed the general view that employers of similar size and type which are closely geographically proximate to the subject employer are normally the most appropriate for comparability purposes under Section 22.9, because such

employers are generally similar in makeup and demographics, face similar problems and budget pressures, and as a practical matter generally serve as the market against which a school district competes for quality teaching personnel. At the same time, districts of similar size statewide also provide a highly useful comparability group, since they face similar budget concerns and problems, and are often similar in makeup and demographics.

In this situation, both parties agree that Iowa districts with enrollment levels five above and five below that of the District are proper for comparison purposes under Section 22.9 of the Act, and in my judgment such agreement renders that group as the primary one for such purposes. It is my view, however, that the conference districts group proposed by the District as the secondary comparability group has greater value under the statutory criterion than does the Association's proposed top thirty enrollment Iowa districts. Three of those conference member districts - Davenport, North Scott and Pleasant Valley - either directly border the District or very nearly do so, with the exception of Davenport all have enrollments within about 1800 students of that of the District, and are with the exception of Burlington within about thirty miles geographically of the District. In contrast, many of the districts within the proposed top thirty enrollment group have enrollments between two and eight times larger than the District, and some are more than 300 miles away geographically. In my view, it is the conference districts with which the District directly competes for quality instructors, and this group is thus significantly more comparable under Section 22.9 than are the less geographical proximate

and less similar sized districts contained in the Association-proposed top thirty enrollment comparability group.

IMPASSE ITEM #1 - WAGES/LONGEVITY

Schedule C of the parties' current contract contains the existing salary schedule. It sets forth six lanes ranging in educational attainment from Bachelor of Arts (B.A.) to Master of Arts (M.A.) plus 45 credit hours. There are twelve experience steps in the BA and BA +15 lanes, thirteen in the BA +30 lane, sixteen in the MA and MA +15 lanes, and seventeen in the MA +30 and MA +45 lanes. With limited exception, salary schedule lanes and steps increase 5% as movement occurs both horizontally and vertically in the schedule. The current generator BA Base salary is \$24,310.

Schedule C further contains the following contract language concerning longevity:

LONGEVITY INCREMENT: Those employees in the MA, MA+15, MA+30 salary lanes will receive a longevity increment of 6% of Base Salary (\$1,459) for 18 years of experience credit service, 6% of Base Salary or cumulatively 12% (\$2,917) for 21 years of experience credit service, and 4% or cumulatively 16% (\$3,890) for 24 years of experience credit service provided they would have been eligible for the 18th 'step', the 21st 'step,' or the 24th 'step' if such steps existed in those lanes.

Those employees in the BA, BA+15, and BA+30 salary lanes will receive a longevity increment of 6% of Base Salary (\$1,459) for 18 years of experience credit service, and 3% of Base Salary or cumulatively 9% (\$2,188) for 21 years of experience credit service provided they would have been eligible for the 18th 'step' or the 21st 'step' if such steps existed in those lanes. Those employees qualifying for BA longevity who subsequently move to a MA lane will retain BA longevity percent until such time as they qualify for a larger longevity percent.

POSITIONS OF THE PARTIES

THE ASSOCIATION

The Association's final offer provides for a new generator base salary of \$24,610, or a \$300 base salary increase. It further provides in the area of longevity that longevity pay be increased from 3% to 4% at the 21st year and thereafter in the BA lane, and from 4% to 5% at the 24th year and thereafter in the MA lane. The Association costs its final offer at a 4.1187% budget to budget increase.

In support of that final offer, the Association makes the following arguments.

1. The statewide percentage settlement average for fiscal 2003-04 contracts is 4.15% composite, 4.05% in districts with 0% new money; 4.25% in the top thirty enrollment comparability group, and 4.14% in the five larger, five smaller comparability group. The 4.12% increase contained in the Association's final offer is much closer to this average than is the 3.7% increase contained in the District's final offer.
2. At the primary benchmark comparability level of MA Step 10, District salary amounts since 1997-98 have dropped in rank from third to seventh in the top thirty comparability group, and from first to third in the five larger, five smaller group, with similar rank decreases when employer paid health insurance amounts are included within those figures. Iowa teacher salaries are also low when compared to the Illinois Quad Cities of Moline and Rock Island, with which the District competes for teachers.
3. District staff turnover will produce about \$575,000 in savings, and

pay for more than half of the dollar increase contained in the Association's final offer. In addition, a reduction of more than five FTE District teachers to compensate for enrollment declines will free up additional budgetary funding for this and other cost increases. In view of the small difference between the parties' final offers of only \$66,500 - a mere .2% of the total budget - these savings will more than fund the minor dollar difference at issue here.

4. The parties agreed to a 2.44% total package increase for the current budget year, despite a 4% statewide average settlement level, and the Association has agreed to higher health insurance deductibles the past two years in an effort to limit insurance cost increases. As a result, the 18% health insurance cost increase for fiscal 2004 is not high compared to many comparable employers including conference member Burlington, where insurance rates have doubled over the past two years.

5. While District average salaries may be high when measured against average salaries among comparable employers, District teachers have the highest level of degrees earned, and the third highest experience level, among conference districts. Such high levels in these areas are largely responsible for these high relative average salary amounts.

6. With regard to longevity, about one-third of bargaining unit members have more than 20 years of experience and are thus at the top step of their lanes, longevity has not increased since the 1996-97 contract, the parties have a prior history of voluntarily increasing longevity in situations such as this, and conference comparable districts North Scott and Pleasant Valley added longevity to their contracts this year. In such circumstances, fairness to those District teachers at these higher

salary schedule step levels requires the longevity adjustment contained in the Association's final offer.

7. The District can easily afford to fund the Association's final offer. In addition to the above arguments concerning turnover savings, staff cuts and the minor differences in cost of the final offers when compared to the District's total budget, the District: A) has substantial additional cash reserve over and above its spending authority to replace shortfalls and enhance cash flow; B) has an ending fund balance of \$4.55 million backing up its \$1.6 million unspent balance as of June 30, 2002; C) can authorize a physical plant levy to free up additional general fund dollars; D) will experience a special education funding increase of \$235,821, or 12.6% above this year's level; and E) in contrast to many other Iowa districts who have been limited to the 100% guarantee state funding for a number of years due to declining enrollment, has received general fund increases in all years prior to the current year.

THE DISTRICT

The District's final offer provides for a \$234 increase to the salary schedule generator base, and no change to the existing longevity pay provisions of that salary schedule. It costs that final offer as a 3.70% total package increase.

The District makes the following arguments in support of that final offer.

1. While the Association proposal percentage increase may be closer than the District's final offer to the average percentage total package increase in other districts statewide, the District's proposal is 10.5%

above the state average in total package dollars per teacher, while the Association's proposal is 22.5% above that average. These high above average percentages are due largely to the existing high pay status of District teachers. Such total package dollar cost increases per teacher inherent in the Association's proposal are similar to settlement levels reached in Iowa districts with 4-6% new regular program money, while the District's final offer is above the average total package dollar increase in districts which will receive 0% new money for next year and for two consecutive years. The District will receive 0% new money for the second consecutive year in the 2003-04 budget.

2. The District's salary schedule currently ranks highest in both the conference and the five above/five below enrollment comparability groups at virtually every benchmark of the salary schedule except the BA and MA base and total compensation benchmarks within the conference group, despite its size rankings within those groups of fifth and sixth, respectively. It ranks eighth highest in the state in average salary, despite being only the 23rd largest Iowa district in enrollment. There is thus no showing of the need for any monetary catch-up that is inherent in the Association's final offer.

3. The average per teacher dollar increase contained in the Association's final offer is well above average in all pertinent comparability groups in salary and insurance and total package amounts, and translates to a total package dollar increase 21.7% above average. The District's proposal contains salary and insurance dollar increases above the state average to a more reasonable degree, adding to amounts in these areas already above average in the District when compared to

statewide amounts.

4. The District's health insurance costs - which are paid entirely by the District for bargaining unit teachers - will increase 18.71% or more than \$250,000, for fiscal year 2004, which is equivalent to a \$411 base salary amount and a 1.52% total package increase. That increase is 34% above the state average, the second highest in the conference comparability group, and the third highest in the five larger/five smaller enrollment comparability group. Large insurance cost increases across Iowa districts have greatly increased the average settlement percentage among those employers for the 2003-04 budget year.

5. The existing District longevity program has helped the District attain the #1 ranking in average salary in all pertinent comparability groups, and longevity alone is well above average among all comparable employers and second highest in rank in the five larger/five smaller enrollment group. The District's final offer without a longevity change will increase its longevity costs by 4.22%. The Association's longevity proposal will increase longevity costs for 10.2%, and adds dollars to the top of the salary schedule where the District's schedule already compares extremely favorably among comparable employers.

6. Comparisons of total package percentage increases punish high paying districts like the District, since any dollar increase measured against a higher base amount will produce comparatively lower percentage increases. Instead, actual average dollar increases provided to teachers are the most accurate reflection of total relative increases in teacher salaries and benefits. In this area, the District's final offer is well above the statewide settlement average.

7. The District will receive 0% new regular program dollars in fiscal 2004, identical to the amount received in the current year. It has a long history of declining enrollment since 1994-95 - down 11.2% resulting in \$2.4 million less new regular program dollars. All conference comparable districts except Burlington lost less enrollment during that period than the District, and all but three lost less enrollment in the five larger/five smaller comparability group. The District is one of only four in the five larger/five smaller comparability group, and one of only three in the conference group, with the lowest new regular program dollar percentage increase of 0%. The District has received 47.2% less new money over the last nine years than the average in the five larger/five smaller comparability group, and 27.8% less than the average new money in the conference group during that period. Despite being fifth in enrollment in the conference group and well below the enrollment average, the District has the highest average salary level in both comparability groups.

8. The District is below average in unspent balance in the five larger/five smaller comparability group and last in this category in the conference group, well below average in both groups in unspent balance as a percentage of District maximum spending authority, below average in both groups in its solvency ratio, interest earned and general fund balance, and above average in taxing level. In addition, there was an across-the-board statewide reduction in allowable growth this year, and that 1% reduction was not fully funded thereafter. In view of these elements and the absence of any general fund new money for either this school year or next, the District's budget situation does not warrant

the above average award inherent in the Association's final offer.

9. The District has a history of decreasing base salary increases, due to higher than average insurance costs, dollars contributed toward longevity, the cumulative effect of indexed salaries, and lower state funding. The District's average total package percentage increase has generally been below the state average on a historical basis, since the District already has high salaries and has received below average new money in the recent past. The District's percentage increase final offer here is above the average percentage increase in the District since 1995-96, and is nearly identical to the percentage increase agreed upon for the current year, when the District also received 0% new money.

10. The District's pupil-teacher ratio has not suffered historically despite the relatively high salaries paid by the District. In addition, the District believes that turnover savings will amount to \$431,561 - not enough to fund either the District or Association final offer.

DISCUSSION

The evidence presented to the arbitrator on the sole issue here of the appropriate base salary increase addresses such factors relevant to the selection of the "most reasonable" final offer as various measures of settlement trends, absolute and relative available dollars, comparable pay and benefit levels, absolute and relative total costs and benefit levels, etc. While a precise analysis of each element of that data is not appropriate here, that evidence does allow certain conclusions relevant to the determination of which of the two final offers is the "most reasonable" under Section 22.9. These conclusions are set forth below.

First, District teachers are already well compensated vis-a-vis comparable employers by virtually all measures and at nearly all benchmark salary schedule levels. The District by the Association's own data ranks second in average salary in the state, and the Association does not dispute the District's claim of a top ranking in this area in both the five larger/five smaller enrollment group or the conference group. The data further shows that the District ranks high in comparison to both comparability groups at virtually every benchmark salary schedule level except BA and MA base (without counting longevity), and that those high rankings are maintained when the cost of single and dependent health insurance - paid entirely by the District - is factored in. While the District's high average salary is accounted for to some degree by its second highest in the state ranking on level of teacher degrees earned, it is only slightly above average in the conference group in level of District experience among bargaining unit members, and that latter figure thus has limited impact upon the District's high average salary level. Moreover, the Association's comparability data addresses only one point in the salary schedule - MA Step 10 - and shows for that benchmark only a slight decline from the top ranking in the pertinent five larger/five smaller enrollment group since 1997-98. This overall data thus indicates that District teachers are well compensated, particularly at the upper end of the schedule even without consideration of longevity, when compared to teachers in the pertinent comparability groups.

Second, the existing contractual longevity schedule is well above average when measured against any pertinent comparability group, and

makes a significant contribution toward the District's high relative average salary level. The high relative position in existing longevity is best evidenced by the Association's statement in support of its proposed longevity change that this proposed change is based upon fairness to teachers near the top of the schedule, rather than upon comparability (or other statutory elements). When longevity is included, the District's salary schedule compares even more favorably at virtually all benchmarks at and near the top of the schedule. There appears to be little or no justification for the increase in longevity contained in the Association's final offer under the statutory criteria.

Third, total package percentage increase comparisons are only one way to measure comparative salary and benefit increases across comparable districts and Iowa districts statewide. Total dollar per teacher increases are at least an equally valid measurement, since that standard measures the relative total dollar benefit increase inuring to teachers as a result of the negotiated contract. On that measurement, due largely to the relatively high dollar amount salary and benefit levels currently existing in the District, the District's proposal is more than 10% above the average statewide, while the Association's final offer is more than 22% above that average. In addition, the parties historically appear to have recognized the lessened applicability to the District of the average statewide total package percentage increase, since District total package percentage increases have been below the state average in each of the past seven years, with an average increase .62% below that statewide total package settlement average during that time period.

Fourth, although the total cost difference in the parties' final offers is only about \$66,500 - a mere .2% of the District's total budget - and is thus affordable to the District, the District's general budget condition in conjunction with the above elements does not support an award above that contained in the District's final offer. The District has a consistent nine year history of declining enrollment as well as an above average enrollment loss during the period among similarly situated employers, it has thus received below average new money during that time, it will receive 0% new general program money next year for the second consecutive year, it has and has had a relatively low unspent balance and unspent balance as a percentage of maximum spending authority in comparison to similarly situated employers, and its tax rate is nearly the highest among those comparable employers. In conjunction with the relatively high existing salary levels enjoyed by District teachers, these budget constraints provide further support for adoption by the arbitrator of the District's final offer here.

After careful consideration of all of the evidence, it is the arbitrator's considered judgment that the District's final offer of a \$234 increase to the salary schedule generator base is the "most reasonable" of the final offers before me under the criteria set forth in Section 22.9 of the Act. That final offer, while somewhat below average on a percentage basis, produces a total dollar teacher benefit increase well above the state average for District teachers, who are already well compensated in wage and insurance areas by virtually all measurements when compared to similarly situated employees of employers in both pertinent comparability groups. Given the currently existing

relative high level of longevity when viewed against longevity levels among comparable employers and the high average salary to which that existing longevity contributes, adoption of the District's final offer also properly returns the propriety of an increase in longevity to the give and take of the bargaining process and the relative priorities decided by the parties themselves during that process. The District's final offer further continues the parties' historical pattern of agreement to a total package percentage increase at a level below the statewide average percentage increase and similar to that agreed upon for the current year, where like in fiscal 2004 there was no increase to the regular program general fund dollars coming from the state's foundation formula. The District's final offer additionally will maintain District teachers at or near the top levels of both salary and salary/insurance benchmarks among comparable employers, as well as at pay and benefit levels among the highest in Iowa. Finally, the cost of that final offer is more consistent with the existing relatively healthy but somewhat strained District budget situation, where a historical pattern of declining enrollment both in absolute and relative status among comparable employers, in combination with existing relatively high salary and benefit levels and a two year District experience of 0% new money, has placed addition financial pressure upon the District to prudently allocate its somewhat decreased and not improving financial assets.

AWARD

The District's final offer on generator base salary is the "most reasonable" of the final offers before the arbitrator. It is hereby